

## Message Text

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ACTION STR-04

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ACTION STR

E.O. 11652: N/A

TAGS: ETRD MTN

SUBJ: AMBASSADOR YEUTTER'S LATIN AMERICAN TRIP: MTN DEL

INPUT ON SAFEGUARDS

1. PROBLEM. CAN THE TRADE TEAM HELP BUILD SUPPORT  
FOR AND ALLEVIATE LA MISGIVINGS ABOUT U.S. IDEAS FOR  
A COMPREHENSIVE REVISION OF INTERNATIONAL SAFEGUARD RULES?  
WHAT CAN WE SAY ABOUT S&D FOR LDCS IN THIS CONTEXT?

2. TALKING POINTS.

(A) THE U.S. CONCEPTS PAPER MOVES IN THE DIRECTION  
OF EARLIER LDC REQUESTS BY PROVIDING, FOR EXAMPLE, THAT  
SAFEGUARD ACTION MUST BE TEMPORARY, HAVE TIME LIMITS, AND  
BE DEGRESSIVE. IN ADDITION THERE IS SPECIAL PROVISION IN  
THE U.S. PROPOSAL FOR SMALL LDC SUPPLIERS AND NEW  
ENTRANTS IN THE MARKET. THIS PROPOSAL WOULD NO LONGER

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APPLY AFTER COUNTRIES " ACHIEVE A CERTAIN LEVEL OF ECONOMIC

DEVELOPMENT." FYI: WE CAN EXPECT LDCS TO OPPOSE THIS CONCEPT OF GRADUATION, ALTHOUGH MEXICO HAS INDICATED THAT IT COULD ACCEPT THE CONCEPT OF SAFEGUARD ACTIONS TAKEN AGAINST LDCS WHICH WERE MAJOR SUPPLIERS OF THE PRODUCT IN QUESTION. END FYI.

(B) THE U.S. PROPOSAL ITSELF IS DESIGNED TO KEEP SAFEGUARD MEASURES TO THE MINIMUM NECESSARY (SCOPE AND DURATION). THE OPPORTUNITIES FOR DIFFERENTIAL TREATMENT ARE THEREFORE SOMEWHAT LIMITED. IN PRINCIPLE A BLANKET EXCEPTION FOR ANY COUNTRY FROM THE APPLICATION OF ALL SAFEGUARD MEASURES IS NOT ACCEPTABLE SINCE THE BASIC RATIONALE FOR SAFEGUARD ACTION IS THE LEGITIMACY OF TEMPORARY PROTECTION FOR DOMESTIC PRODUCERS SUFFERING INJURY.

(C) THE PROPOSED MULTILATERAL SAFEGUARD SYSTEM PERMITS, IN ACCORDANCE WITH THE STRICT CRITERIA, CONTINUED MARKET ACCESS WITH MODERATE GROWTH FOR DEVELOPING COUNTRIES WHICH ARE SMALL SUPPLIERS OF PRODUCTS WITH RESPECT TO WHICH SAFEGUARD ACTION HAS BEEN TAKEN.

(D) U.S. SAFEGUARD ACTIONS HAVE HAD LITTLE EFFECT ON THE TRADE FROM DEVELOPING COUNTRIES. IN FACT IN RECENT DECISIONS ON CASES INVOLVING IMPORTS IN DEVELOPING COUNTRIES (SHOES, MUSHROOMS AND STAINLESS STEEL FLATWARE) ALL HAVE FAVORED ADJUSTMENT ASSISTANCE RATHER THAN IMPORT RESTRICTIONS.

(E) THERE ARE SEVERAL INHERENT ADVANTAGES FOR DEVELOPING COUNTRIES UNDER A NEW SAFEGUARD SYSTEM. SAFEGUARD ACTIONS TAKEN BY DEVELOPED COUNTRIES WOULD BE MORE TRANSPARENT. WE WOULD EXPECT THAT ALL ACTIONS WILL BE NOTIFIED AND CONSULTED ON PRIOR TO BEING PUT INTO PLACE. WE WOULD EXPECT STATUS REPORTS, MORE SPECIFIC SURVEILLANCE, AND A DISPUTE SETTLEMENT MECHANISM.

3. BACKGROUND. AT THE JULY MEETING OF GROUP SAFEGUARDS THE U.S. PRESENTED A COMPREHENSIVE PROPOSAL FOR IMPROVING INTERNATIONAL RULES GOVERNING THE TEMPORARY APPLICATION OF THE IMPORT RESTRICTIONS TO PREVENT COMMERCIAL INJURY FROM FAIR COMPETITION. THE U.S. PROPOSAL WAS THE FIRST FROM ANY DEVELOPED COUNTRY AND WAS WELCOMED BY MOST MTN PARTICIPANTS AS A CONCRETE STEP TOWARD MEANINGFUL NEGOTIATIONS. THE TABLING OF THE U.S. PAPER WILL LEAD TO A LARGE NUMBER OF BILATERAL MEETINGS WITH KEY DELEGATIONS LIMITED OFFICIAL USE

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IN SEPTEMBER AND OCTOBER AFTER WHICH MULTILATERAL DISCUSSIONS WILL RESUME.

4. IN MAY MEXICO MADE A PROPOSAL FOR THE TREATMENT OF DEVELOPING COUNTRIES IN ANY MULTILATERAL SAFEGUARD SYSTEM. THE MEXICAN PROPOSAL IS SIMILAR TO THE POSITIONS TAKEN BY OTHER LDCS (NIGERIAN AND BRAZILIAN PROPOSALS CONTAINED IN MTN/3D/5) IN THAT IT SUGGESTS THE

BASIC PRINCIPLE WHOULD BE THAT SAFEGUARD ACTION SHOULD NOT BE APPLIED TO IMPORTS FROM DEVELOPING COUNTRIES. THE MEXICAN PROPOSAL RECOGNIZED, HOWEVER, THAT IN CASES WHERE SUCH AN EXCEPTION WAS NOT POSSIBLE, SAFEGUARD RESTRICTIONS OF A TEMPORARY NATURE COULD BE APPLIED ONLY IF CERTAIN STRINGENT CONDITIONS WERE MET INCLUDING: PRIOR CONSULTATION; REVIEW BY MULTILATERAL SURVEILLANCE BODY; MINIMAL LEVELS OF IMPORTS FROM LDCS WOULD NOT BE ROLLED BACK BY SAFEGUARD ACTIONS; AND HIGHER GROWTH RATES WOULD BE PROVIDED FOR DEVELOPING COUNTRIES. LDCS IN THE JULY MEETING EXPRESSED DISAPPOINTMENT THAT THE U.S. PROPOSAL WAS NOT SPECIFIC WITH REGARD TO SPECIAL AND DIFFERENTIATED MEASURES WHICH WOULD APPLY TO THEM AND IN GENERAL SUPPORTED THE MEXICAN PROPOSAL. LDCS HAVE MAINTAINED THE POSITION THAT SPECIAL AND DIFFERENTIATED TREATMENT SHOULD BE INCORPORATED INTO EACH OF THE VARIOUS ELEMENTS OF A NEW SFEGUARDS SYSTEM. ATTACHMENT: U.S. CONCEPTS PAPER (STR: PLEASE ATTACH COPY OF MTN/SG/W/11.) CULBERT

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